

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3899-01
Bill No.: HB 1613
Subject: Military Affairs; Veterans.
Type: Original
Date: February 11, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Veterans' Capital Improvement Trust	\$13,547,750	\$13,244,360	\$13,677,354
Gaming Commission	\$0	\$0	\$0
Early Childhood Development, Education and Care	(\$9,160,000)	(\$9,160,000)	(\$9,160,000)
World War II Veterans' Recognition Award Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$4,387,750	\$4,084,360	\$4,517,354

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(\$4,970,000)	(\$4,970,000)	(\$4,970,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Office of the Adjutant General (OTAG)** state this proposal revises RSMo 42.175 and would eliminate the application deadline of January 1, 2002 for W.W. II Veterans to apply for recognition awards. It also changes eligibility to file awards and authorizes the posthumous awarding of medals to family members of deceased veterans. Under this program, veterans and family members of W.W. II veterans residing in Missouri on August 28, 2001 or of deceased veterans who were legal residents of Missouri at the time of his or her death, are eligible to receive a medal/medallion and certificate from the State of Missouri as appreciation for their patriotic service to our State and Nation.

OTAG states that if this legislation becomes law, a legislative letter of intent and or appropriation spending authority to allow OTAG to expend existing appropriations in FY 2003 and FY 2004 will be required to continue the program without delaying the process. Also, a code of state regulation revision will be required to extend the award application process and to revise award eligibility for award will need to be developed by OTAG.

OTAG states that HB 207 provided the Office of the Adjutant General with \$3,000,000 from the Veterans Commission Capitol Improvement Trust Fund in FY 2002 to administer the program. This fiscal note assumes that the unused portion of this appropriation, approximately \$2.5 million dollars, will be made available or reappropriated to OTAG to continue this program beyond June 30, 2002 should this proposal become law. Using this assumption no additional funding is anticipated to be required to extend the program and support the revised eligibility requirements.

This proposal will extend the eligibility to approximately 400,000 World War II veterans and their family members to receive W.W. II Recognition Awards who have not been approved for awards as of January 1, 2002.

The computations assume that all W.W. II veterans who currently reside in Missouri were residents of Missouri at time of entering service. Since OTAG's military archives maintain only war records of veterans who initially entered service from Missouri, verification of service of

ASSUMPTION (continued)

W.W. II veterans who entered service from states other than Missouri, but currently reside in Missouri, will require additional research (time/effort).

This fiscal estimate also assumes that the period for applying for W.W. II Awards will be deleted and W.W. II veterans and family members will be authorized to apply and receive awards forever.

OTAG, in this cost estimate, projects both temporary state employees and contract labor will be used to administer the program and that a FY 2003 supplemental and/or reappropriation of OTAG existing spending authority would be required to continue the application process through July 1, 2003. This cost estimate projects that the majority of awards will be mailed to awardees with a smaller amount to be presented by local veteran organizations and the Missouri National Guard.

Cost projections for FY 2004 assume only permanent employees will remain and all medals/awards have been processed.

Information received by OTAG projects that 435,000 Missourians served in W.W. II. Of which only approximately 35,000 have applied for awards by January 29, 2002. OTAG assumes in this fiscal estimate that approximately 50% $((435,000 - 35,000) / 2 = 200,000)$ of the remaining veterans eligible or their family members may apply for the awards. However, the actual number of medals awards could be significantly higher or lower. Approximately 28% $(35,000 / 125,000)$ of the Veterans eligible to apply for awards under provision of HB 1519 (original program legislation) have applied for W.W. II Awards. Awards and postage is projected to cost \$10 each, or \$2,000,000 total $(\$10 \text{ per award} \times 200,000)$ for all of the veterans or families of deceased veterans who are expected to apply for the award.

The additional staff needed by OTAG would include one Veterans Service Supervisor (at \$36,012), one Office Support Assistant (at \$21,192), one Accountant I (at \$30,204) and one Account Clerk II (at \$23,184). Total expenses estimated by OTAG are \$110,592 per year for personal service for the four FTE, \$37,701 per year for fringe benefits, and \$249,648 in contract labor and supplies. OTAG assumes an additional 200,000 awards will be distributed at a revised cost estimate of \$10 per award, or \$2,000,000 in expense. OTAG assumes a total expense for deleting the application deadline as well as allowing families of deceased veterans to receive the award will be \$2,426,080 in FY 2003, \$315,115 in FY 2004 and \$99,792 in FY 2005.

OTAG projects that all W.W. II Veteran Recognition Awards will be purchased by 2003 and only full-time staff will remain on board beyond 2003 with 4 required for 2003 and 2 for the following years.

ASSUMPTION (continued)

In an updated estimate, OTAG assumed that approximately 50 percent of the 125,000 estimated eligible living veterans will apply for this award. Since 35,000 have submitted applications, that would leave an estimated 27,500 ($125,000 / 2 = 62,500 - 35,000 = 27,500$) living W.W. II veterans anticipated to apply for the award. Based upon the historical response of roughly 30% of eligible veterans having applied for the awards, **Oversight** assumes families of 93,000 ($435,000 \text{ total} - 125,000 \text{ living} = 310,000 \text{ deceased} \times 30\% = 93,000$) eligible W.W. II veterans that have passed away will also apply for the award. Therefore, Oversight assumes 120,500 ($27,500 + 93,000$) veterans or their families will apply for the awards in the next three fiscal years. This estimate could be considerably more or less than actual results! This fiscal note does not reflect the costs beyond FY 2005 since this program is extended indefinitely.

Oversight assumes one-half of the estimated 120,500 awards will be purchased in FY 2004, and one-quarter of the awards purchased in both FYs 2003 and 2005. Oversight also assumes that since OTAG was not allowed additional FTE in their budgets to administer this program, OTAG will be able to continue the administration with the temporary employees and necessary supplies. Oversight assumes the requested 12 contract labors will suffice in FY 2003 and 2004 and that this be reduced to 6 in FY 2005. Oversight assumes this proposal would be in effect for 10 months of the year in FY 2003.

Oversight assumes the unutilized balance of the \$3,000,000 appropriation from FY 2002 could cover at least some of the additional costs resulting from this proposal. However, making the FY 2002 surplus available to be used in FY 2003 and beyond would have to be executed through a reappropriation budget decision and Oversight has reflected the fiscal note as the actual anticipated cost of extending the program and increasing the eligible recipients to relatives of deceased eligible veterans. Oversight also assumes the transfer into the established World War II Veterans' Recognition Award Fund to fund the program would occur from the Veterans' Commission Capital Improvement Trust Fund.

Officials from the **Department of Public Safety - Missouri Veterans Commission (VET)** state this proposal replaces the \$3 million per year guaranteed Gaming transfer to the Veterans Commission Capital Improvements Trust Fund (VCCITF) with one-half of the remainder, which the Gaming Commission estimates at \$15 million. This would result in an approximate increase of \$12 million in transfers to the VCCITF. The VET states this legislation would also expand W.W. II medal/medallion/certificate program to family members of qualifying veterans and deletes the deadline for application. The VET assumes an additional cost of \$25,000 in FY 2003 and \$5,000 in FYs 2004 and 2005, for postage and printing for the applications and additional personnel to assist with the additional workload. The VET states the costs are based upon costs incurred and applications received during the initial onset of the program.

ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission (GAM)** state this proposal would redirect net proceeds from the Gaming Commission Fund and would have no effect on the operations of the Gaming Commission. GAM states that the new proceeds for the past three years have averaged approximately \$31.7 million annually. This bill would redirect one half (\$15.85 million) from the Early Childhood Development, Education and Care Fund to the Veterans' Commission Capital Improvements Trust Fund.

Officials from the **Department of Elementary and Secondary Education (DESE)** state this proposal would change the stream of funding which normally flows from the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund and the Early Childhood Development, Education and Care Fund (ECDEC). Twenty percent of the monies deposited into the ECDEC fund go to the Department of Social Services; the other eighty percent is appropriated annually to DESE and is used to fund First Steps, Parents as Teachers, and DESE school linked programs.

The FY 2002 appropriation for the ECDEC fund is \$31,260,000. The effect of section 313.835.1(3)(c) would have reduced that appropriation by 75%, or \$23,445,000. The removal of section 313.835.1(3)(a) would deprive the Veterans' Commission Capital Improvement Trust Fund of \$3.0 million and award 25% of that \$3.0 million (\$750,000) to the ECDEC fund. However, the overall effect on the ECDEC fund would be a shortfall of approximately \$23.0 million since the ECDEC would now only receive one half of the remaining net proceeds remaining in the Gaming Commission Fund after the new allotment to the Veterans' Commission Capital Improvement Trust Fund.

DESE also states that the FY 2002 portion allotted to DESE school linked programs is \$15,136,800. Approximately 73% (\$11.0 million) of that allotment goes directly to local school districts. The effect of this proposal on the ECDEC fund would filter down to the local districts in the form of a 75% decrease (approx. \$8.25 million) in funding.

Oversight assumes one could interpret the proposal and the intent of the proposal is for the Veterans' Commission Capital Improvement Trust Fund (VCCITF) and the Early Childhood Development, Education and Care Fund (ECDEC) to evenly split the remaining proceeds of the Gaming Commission Fund after the \$3 million transfer to the Missouri College Guarantee Fund. Oversight assumes the fiscal impact of the proposal is to combine the current \$3 million allotment for the VCCITF with the allotment that goes to the ECDEC (budgeted for \$31.26 million in FY 2002), and then divide that total equally among the two funds, or \$17.13 million to each. This would result in a net increase to the Veterans' Commission Capital Improvement Trust Fund of \$14.13 million per year (-\$3 million + \$17.13 million) and a net decrease to the Early Childhood Development, Education and Care Fund of \$14.13 million (-\$31.26 million + \$17.13 million).

ASSUMPTION (continued)

Oversight assumes the 45 percent (\$14.13 million / \$31.26 million) reduction in funding to the Early Childhood Development, Education and Care Fund will result in a \$4.97 million (\$11 million current allotment x 45%) reduction in funding to the local school districts.

Officials from the **Department of Social Services - Division of Family Services (DFS)** assume this proposal would significantly reduce the funds available for Early Childhood Development, Education and Care Initiatives. DFS defers to the Office of Administration Budget and Planning Unit for the amount of reduction in revenue costs.

Officials from the **Office of Administration - Budget and Planning** did not respond to our request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND (VCCITF)			
<u>Revenue</u> - VCCITF receives one-half of remaining proceeds in Gaming Commission Fund	\$17,130,000	\$17,130,000	\$17,130,000
<u>Loss</u> - Annual transfer from Gaming Commission Fund deleted	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)
<u>Transfer Out</u> - to World War II Veterans' Recognition Award Fund	<u>(\$582,250)</u>	<u>(\$885,640)</u>	<u>(\$452,646)</u>
ESTIMATED NET EFFECT ON THE VETERANS' COMMISSION IMPROVEMENT TRUST FUND	<u>\$13,547,750</u>	<u>\$13,244,360</u>	<u>\$13,677,354</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GAMING COMMISSION FUND			
<u>Savings</u> - Annual transfer to Veterans' Commission Capital Improvement Trust Fund deleted	\$3,000,000	\$3,000,000	\$3,000,000
<u>Savings</u> - Reduction of annual transfer to the Early Childhood Development, Education and Care Fund	\$14,130,000	\$14,130,000	\$14,130,000
<u>Costs</u> - New annual transfer to the Veterans' Commission Capital Improvement Trust Fund	<u>(\$17,130,000)</u>	<u>(\$17,130,000)</u>	<u>(\$17,130,000)</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND			
<u>Savings</u> - Reduced transfer to local school districts	\$4,970,000	\$4,970,000	\$4,970,000
<u>Loss</u> - Reduction of annual transfer from the Gaming Commission Fund	<u>(\$14,130,000)</u>	<u>(\$14,130,000)</u>	<u>(\$14,130,000)</u>
ESTIMATED NET EFFECT TO THE EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND	<u>(\$9,160,000)</u>	<u>(\$9,160,000)</u>	<u>(\$9,160,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
WORLD WAR II VETERANS' RECOGNITION AWARD FUND			
<u>Transfer In</u> - from VCCITF	\$582,250	\$885,640	\$452,646
<u>Costs</u> - Adjutant General's Office Expense and Equipment	(\$256,000)	(\$278,140)	(\$146,396)
<u>Costs</u> - Veterans' Commission Expense	(\$25,000)	(\$5,000)	(\$5,000)
Medals, Medallions and Certificates	<u>(\$301,250)</u>	<u>(\$602,500)</u>	<u>(\$301,250)</u>
<u>Total Costs</u> - Veterans' Commission	(\$326,250)	(\$607,500)	(\$306,250)
ESTIMATED NET EFFECT TO THE WORLD WAR II VETERANS' RECOGNITION AWARD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
SCHOOL DISTRICTS			
<u>Loss</u> - Reduction of annual transfer from the Early Childhood Development, Education and Care Fund	<u>(\$4,970,000)</u>	<u>(\$4,970,000)</u>	<u>(\$4,970,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Current law requires World War II veterans to have been a resident of the state on August 28, 2000, in order to participate in the World War II medallion program. This proposal allows veterans who were residents of the state on the day they entered the military, the day they died, or the day they applied for the medal to participate in the program. The proposal also removes the deadline for applying for a medal and removes the provision that terminates the fund for the medallion program.

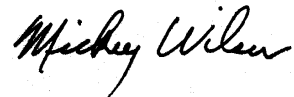
The proposal also changes the distribution of certain proceeds of the Gaming Commission Fund. Currently, \$3 million goes to the Veterans' Commission Capital Improvement Trust Fund annually. Under the proposal, half of the remaining net proceeds after all other distributions will go to the fund and half will go to the Early Childhood Development, Education and Care Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Public Safety
Missouri Veterans' Commission
Office of the Adjutant General
Department of Social Services
Department of Elementary and Secondary Education
Missouri Gaming Commission

NOT RESPONDING: Office of Administration - Budget and Planning



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